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RELEASED

Further Improvements Needed  
In The Financial Administration<sup>57</sup>  
Of The Committee On Training  
And Employment, Inc.,<sup>51</sup>  
Stamford, Connecticut <sup>B-130515</sup>

Department of Labor  
Department of Health, Education, and Welfare<sup>57</sup>  
Office of Economic Opportunity<sup>57</sup>

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

**089811**

915 263

SEPT. 21, 1970



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-130515

Dear Mr. Weicker:

This is a report on the further improvements needed in the financial administration of the Committee on Training and Employment, Inc., Stamford, Connecticut, the Community Action Agency which administers antipoverty programs in Stamford under the Economic Opportunity Act of 1964, as amended. The review was made pursuant to the agreement reached in a discussion with you on May 21, 1969.

The Office of Economic Opportunity, the Department of Labor, the Department of Health, Education, and Welfare, and the Stamford agency have not been given an opportunity to formally examine and comment on the report.

We are proceeding in accordance with our agreement with you that we would provide copies of this report to the Director of the Office of Economic Opportunity and to the Secretaries of the Departments of Labor and Health, Education, and Welfare and that you would provide a copy to the Community Action Agency.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

The Honorable Lowell P. Weicker, Jr.  
House of Representatives

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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
JOBS	Job Opportunities in the Business Sector
OEO	Office of Economic Opportunity

COMPTROLLER GENERAL'S REPORT TO  
THE HONORABLE LOWELL P. WEICKER, JR.  
HOUSE OF REPRESENTATIVES

FURTHER IMPROVEMENTS NEEDED IN  
THE FINANCIAL ADMINISTRATION  
OF THE COMMITTEE ON TRAINING  
AND EMPLOYMENT, INC.  
STAMFORD, CONNECTICUT.  
Department of Labor  
Department of Health, Education,  
and Welfare  
Office of Economic Opportunity  
B-130515

D I G E S T

WHY THE REVIEW WAS MADE

Representative Lowell P. Weicker, Jr., asked the General Accounting Office (GAO) to review the financial administration of antipoverty programs carried out by the Committee on Training and Employment, Inc., the Community Action Agency in Stamford, Connecticut.

Federal funding of the agency's programs from January 1965 through June 1970 was provided as follows:

	<u>Amount (millions)</u>
Office of Economic Opportunity, to carry out Head Start, neighborhood services, Upward Bound, and other programs	\$1.5
Department of Labor, to carry out Neighborhood Youth Corps and other manpower programs	1.6
Department of Health, Education, and Welfare to carry out Head Start and Upward Bound programs for which it has had responsibility from June 1969	<u>0.1</u>
Total	<u>\$3.2</u>

Officials of the Office of Economic Opportunity (OEO); the Department of Labor; the Department of Health, Education, and Welfare (HEW); and the Stamford agency have not been given an opportunity to examine and comment formally on this report, but GAO's findings were discussed with representatives of these departments and agencies, and their comments have been considered in the preparation of the report.

FINDINGS AND CONCLUSIONS

Prior to the start of the GAO review, numerous weaknesses in the agency's financial administration had been revealed--particularly during calendar

year 1968 and early 1969--by audits by a certified public accountant and by OEO reviews and a number of corrective actions had been taken. GAO was therefore concerned primarily with the adequacy of the agency's financial management policies, procedures, and practices at the time of the GAO review which was initiated in December 1969. GAO found that there was a need for further improvement in the agency's administration of Federal funds and that frequent changes in agency key employees in the past had impeded the establishment of fully effective administrative policies, procedures, and practices. (See p. 7.)

GAO's review showed that:

- In a few instances, employees were not submitting time and attendance records, time and attendance records had not been signed by employees, and some persons had been paid for more or fewer hours than were shown on the time and attendance records. (See p. 10.)
- Several of the agency's 40 employees on the payroll at November 20, 1969, had received starting salaries which exceeded Federal limitations without the agency's obtaining the required approval of OEO or Labor. Also, minor discrepancies existed in leave records. (See p. 13.)
- Records pertaining to the 24 enrollees in the Neighborhood Youth Corps out-of-school component in February 1970 indicated that in some cases the agency, in selecting enrollees, had not complied fully with Labor eligibility requirements, such as the requirement that the enrollee be unemployed, not planning to return to school, and from a family with income below the poverty level. (See p. 15.)
- The agency was not fully complying with OEO guidelines and its own procedures concerning the use of purchase orders and the documentation of the receipt of items purchased. Also the agency was not determining where purchases could be made most economically, by comparing prices available from General Services Administration supply sources with prices available from other suppliers, nor was it obtaining competitive quotations from potential suppliers. (See p. 17.)
- The delegate agency which administered the Upward Bound program was not maintaining time and attendance records for some of the program employees and had not entered into a formal contract with the grantee agency covering the 1969-70 project. Certain other practices or procedures of the delegate agency appeared questionable, but these did not appear to be significant deficiencies under the circumstances. (See p. 18.)
- Although the agency's financial reporting to OEO continued to lag during calendar year 1969, the reports to Labor and the more recent reports to OEO generally had been submitted on time. (See p. 20.)
- Travel costs had not been documented adequately. Expense reports lacked such data as points of travel, odometer readings, and departure and arrival times, which would be the basis for claiming travel

and per diem costs. In several instances timely accounting had not been made for travel advances. (See p. 20.)

--The agency was not maintaining adequate records on nonexpendable property acquired with project funds. (See p. 22.)

--At September 30, 1969, the agency had loans totaling \$1,357 outstanding to 10 persons, nine of whom were employees or former employees. Although it appeared that most of the loans had been made under emergency conditions and were supported by signed promissory notes, OEO guidelines stipulate that such loans should occur rarely and should be avoided as a matter of policy. (See p. 23.)

--Non-Federal contributions for OEO-funded programs for the program year which began October 1, 1969, were being adequately documented and recorded in the accounting records; in prior years this had been a problem. As of June 1970, however, deficiencies in documenting non-Federal contributions found in the past continued to exist under the Neighborhood Youth Corps program. (See p. 23.)

--As of July 1970, the agency had not paid the Internal Revenue Service for calendar year 1968 employer and employee payroll taxes totaling \$23,004. Current payments were being made timely. (See p. 25.)

#### RECOMMENDATIONS OR SUGGESTIONS

Community Action Agency officials were receptive to GAO's findings and, in most instances, initiated or promised to initiate action to correct the matters that GAO brought to their attention.

GAO recommends that the Secretaries of Labor and HEW and the Director, OEO, provide for the monitoring of the implementation of the agency's corrective actions and for such other action as may be necessary to ensure that the agency adequately corrects the weaknesses in its financial and program administration discussed in this report. (See p. 27.)

## CHAPTER 1

### INTRODUCTION

The General Accounting Office has reviewed the financial administration of the Committee on Training and Employment, Inc. (agency), the Community Action Agency in Stamford, Connecticut. The agency received Federal funds from the Office of Economic Opportunity and the Departments of Labor and Health, Education, and Welfare to administer programs authorized by the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2701). The review was performed in accordance with an agreement made on May 21, 1969, with Congressman Lowell P. Weicker, Jr., that we would examine into the Community Action Programs in Bridgeport, Norwalk, and Stamford, Connecticut. The results of the reviews at Bridgeport and Norwalk were contained in reports (B-130515) issued on March 23, and April 28, 1970, respectively.

Our review, which was conducted during the period December 1969 to April 1970, was directed toward evaluating the agency's procedures and controls relating to funds and property and examining into other specific financial management practices pertaining to the Community Action Program and the Neighborhood Youth Corps program. The review was conducted primarily at the agency's administrative offices and the Stamford Board of Education, both located in Stamford, and at the Cherry Lawn School, a delegate agency located in Darien, Connecticut.

We interviewed officials of the agency and regional officials of OEO, Labor, and HEW who had information pertaining to the matters under review. The scope of our review did not encompass an evaluation of the effectiveness of the various programs in achieving their statutory objectives.

During the period January 1965 through September 30, 1969, the agency received about \$2,815,000 under grants or contracts from OEO and Labor for use in Stamford anti-poverty programs. OEO provided about \$1,415,000 for Community Action Program activities, including the Head Start, Upward Bound, neighborhood services, and other programs.

Labor provided about \$718,000 for the Neighborhood Youth Corps and about \$682,000 for two Manpower Development and Training Act agreements and Job Opportunities in the Business Sector (JOBS) to provide on-the-job training. Effective July 1, 1969, the Federal administration of the Upward Bound program was transferred and the Head Start program was delegated from OEO to HEW.

Appendixes I through IV show the funds received and expended by the agency from January 1965 through September 1969. The agency's controller advised us in July 1970 that, to continue its programs beyond September 1969, the agency had received, in addition to the amounts shown above, about \$94,000 for the Community Action Program from OEO, \$38,000 for the Upward Bound program and \$78,000 for the Head Start program from HEW, and \$63,000 for the Neighborhood Youth Corps program and \$174,000 for JOBS programs from Labor.

#### PROGRAM PURPOSES

Under title II of the Economic Opportunity Act, OEO provides financial assistance to Community Action Agencies for operating a variety of antipoverty programs designed to help communities to mobilize their resources to combat poverty. Community Action Agencies may be either public or private nonprofit agencies; however, the act requires the participation of the groups to be served in the development, conduct, and administration of the antipoverty programs.

The Neighborhood Youth Corps program, established under title IB of the Economic Opportunity Act, is administered by the Secretary of Labor under delegation by the Director of OEO. The objectives of the program are to provide meaningful work experience, training, and necessary supportive services to eligible youths so that they may be provided with earnings to permit them to continue or resume attendance in school and/or to assist them to develop their maximum occupational potentials.

#### COMMITTEE ON TRAINING AND EMPLOYMENT, INC.

The agency was incorporated in December 1964 under the laws of the State of Connecticut as a nonstock corporation to conduct research and planning to improve the conditions

of the community population, lessen neighborhood tensions, and combat community deterioration in the Stamford metropolitan area. The agency received its first grant from OEO in January 1965 and entered into its first funding agreement with Labor in July 1965.

In March 1970, the agency's board of directors consisted of 24 members--eight residents of the target-area sector, eight representatives of private agencies or organizations, and eight mayoral appointees. The agency is organized under an executive director who is directly responsible to the board of directors. In November 1969, the executive director was assisted by a staff of 24 employees to carry out the Community Action Program and Neighborhood Youth Corps program activities.

## CHAPTER 2

### WEAKNESSES IN FINANCIAL ADMINISTRATION

#### IDENTIFIED BY PREVIOUS AUDITS AND REVIEWS

Prior to the start of our review, numerous weaknesses in the agency's financial management activities were brought to its attention--particularly during calendar year 1968 and early 1969--by its certified public accountant and OEO. Various actions were taken by the agency to improve the management of its financial activities, including the hiring of a new controller and an executive director in December 1968 and March 1969, respectively. An OEO onsite evaluation of the agency in March 1969 revealed, however, that deficiencies still existed in several areas of financial management. As a consequence, OEO notified the agency in April 1969 of its intention to terminate assistance to the agency unless it corrected the following deficiencies.

- The accounting system and internal controls were not considered by the certified public accountant to be adequate to safeguard assets, check accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to OEO-prescribed management policies.
- Various required reports had not been submitted to OEO.
- OEO funds had been advanced to finance State and local programs.
- The agency had been delinquent in its payment of payroll taxes to the Internal Revenue Service.
- Expenditures had been made for costs not specifically provided for in the OEO-approved budget.
- Expenditures had exceeded OEO-approved budget limitations.

- Funds received in error from OEO had been retained for over a year.
- Employee fringe benefits were not in accord with prevailing local practice.
- Corrective actions generally had not been taken by the agency in response to an OEO audit report issued in April 1968.

OEO directed the agency to take corrective actions related to the above-listed deficiencies and to have its certified public accountant make a survey of the accounting system. The accountant's report on the survey, dated June 4, 1969, indicated that at that time the agency's accounting system and internal controls were generally adequate but noted a need for improved personnel records and property controls.

On July 10, 1969, after discussion between OEO and the agency and after the agency had submitted information to OEO to show that corrective actions were being taken, OEO advised the agency that it would continue to provide assistance to the agency.

At the time we initiated our review in December 1969, the agency's certified public accountant was in the process of auditing the agency's financial activities for the year ended September 30, 1969. Because the certified public accountant's audit of the prior year's activities was still under way and because both OEO and the agency had recognized that there was a need for significant improvement in the agency's financial management practices, our review was concerned primarily with the current financial operations, to determine the adequacy of the actions initiated to correct the previously noted deficiencies.

The certified public accountant's report on his audit was issued in January 1970. The report reiterated that the agency's accounting system and internal controls were generally adequate but recommended several actions to further strengthen or improve the fiscal procedures, controls, and practices. Specific recommendations included in the report

concerned the need for (1) written contracts with delegate agencies, (2) improvements in control over property, (3) recording transactions relating to non-Federal funds, and (4) closer adherence to payroll and personnel procedures for the Neighborhood Youth Corps program.

We recognize that, although similar recommendations had been made in the past, the agency's management at the time of our review had not had sufficient time to implement the specific recommendations contained in the accountant's January 1970 report. Also we believe that the frequent changes in the agency's key employees in the past had impeded the establishment of fully effective administrative policies, procedures, and practices. The severity of this problem is indicated by the fact that, during the period September 1968 to the start of our review in December 1969, the agency had three different executive directors and three different controllers.

Consequently the fact that certain weaknesses continued to exist at the time of our review should not be considered as indicative of a lack of concern by agency management over matters that were in need of attention. Agency officials were receptive to our findings, and in most instances had initiated or promised to initiate corrective actions on the matters that we brought to their attention.

## CHAPTER 3

### FURTHER IMPROVEMENTS NEEDED IN THE

#### ADMINISTRATION OF FEDERAL FUNDS

##### PAYROLL AND RELATED COSTS

Weaknesses in internal control and recordkeeping procedures related to payroll operations had been reported by OEO auditors and by the agency's certified public accountant. Our review of payroll operations did not reveal any major deficiencies but did show a need for closer adherence to certain payroll procedures.

Personnel costs recorded by the agency and by its delegate agencies for the period January 1965 through September 30, 1969, amounted to about \$1,123,000 for OEO programs, or approximately 70 percent of all OEO program costs incurred. Personnel costs recorded by the agency during the same period for Labor programs amounted to about \$823,000, or approximately 58 percent of all Labor program costs incurred.

OEO and Labor require that payroll costs be adequately supported by time records properly approved by supervisors for all employees. They further require that properly executed employees' withholding exemption certificates be maintained to substantiate payroll deductions.

We examined the agency's payrolls for the Community Action Program and Neighborhood Youth Corps program for 1 week in November 1969 and 1 week in February 1970. These payrolls included, in addition to the agency's employees, about 15 employees of the delegated Head Start program who were paid by the agency.

The discrepancies revealed by our tests of the Community Action Program and Neighborhood Youth Corps program staff payrolls are summarized below.

	Week ended November 20, <u>1969</u>	Week ended February 12, <u>1970</u>
Number of employees	<u>40</u>	<u>33</u>
Time and attendance record not submitted	9	8
Time and attendance record not signed by employee	3	4
Employees paid for more hours than shown on time and attendance record	<u>2</u>	<u>-</u>
Total discrepancies noted	<u>14</u>	<u>12</u>

The two payments made for more hours than the employees worked involved hourly differences of only 1 hour a week.

We also noted certain discrepancies concerning employees' withholding exemption certificates. A certificate was to be prepared and signed by each employee to show the exemptions claimed for withholding tax purposes, social security number, and other basic information. For example, only 35 certificates were on file at November 20, 1969, although there were 40 employees on the payroll. In addition, one certificate was unsigned and 17 did not agree with the information in the payroll register regarding marital status and the number of dependents.

Our review of Neighborhood Youth Corps program enrollee payrolls revealed the following discrepancies.

	Week ended <u>November 19, 1969</u>	Week ended <u>February 11, 1970</u>
Number of enrollees	<u>52</u>	<u>56</u>
Enrollees paid for fewer hours than shown on time and attendance records	3	4
Enrollees paid for more hours than shown on time and attendance records	10	8
Time and attendance records could not be located	<u>-</u>	<u>4</u>
Total discrepancies noted	<u>13</u>	<u>16</u>

The instances of enrollees' being paid for hours which differed from those shown on their time and attendance records appeared to have resulted from the practice of paying the in-school enrollees for 8 hours of work a week, regardless of whether enrollees worked more or fewer than 8 hours. In most instances, the discrepancy did not exceed 2 hours a week for each enrollee.

On February 18 and 19, 1970, we assisted in the distribution of paychecks to Neighborhood Youth Corps program staff members and enrollees for work performed during the week ended February 11, 1970. Payroll checks that were not distributed on the regular payday were retained in the Neighborhood Youth Corps office in a locked file cabinet. Our review showed that it was customary for the Neighborhood Youth Corps program director to retain the undistributed checks until claimed by the enrollees or for about a month, after which they would be canceled and returned to the controller's office. Three checks from the payroll distributed on February 19, 1970, were held until March 9 and then returned to the controller's office. We advised the agency's executive director that this practice did not fully ensure that the checks would be delivered to the employee or canceled when delivery could not be made.

The agency's executive director informed us that he would take the following corrective actions.

1. Issue instructions to all employees for completing time and attendance records, together with a sample form correctly filled out.
2. Require that withholding exemption certificates for all individuals on the payroll be on file and be correct.
3. Require that Neighborhood Youth Corps time and attendance records be forwarded to the agency's controller for review and for comparison with the payroll summary.
4. Require that undistributed Neighborhood Youth Corps payroll checks be returned promptly to the controller for distribution or cancellation.

We believe that, if properly implemented, the actions promised by the executive director should correct the payroll weaknesses noted during our review.

### PERSONNEL MATTERS

Our review of personnel matters covered personnel actions taken after the date of hire of the 40 agency employees on the payroll at November 20, 1969--21 for the Community Action Program, 15 for the Head Start program, and four for the Neighborhood Youth Corps program. Our review showed that in several instances the agency had not complied with OEO and Labor salary limitations and that personnel files were often incomplete. Also we noted minor discrepancies in the leave records maintained by the agency.

#### Salary limitations

The agency is required to obtain OEO or Labor approval before granting salary increases in excess of certain amounts. OEO limits an employee's initial annual starting salary in excess of \$5,000 to an amount which does not exceed his previous salary by more than 20 percent or \$2,500, whichever is less. Annual increases for salaries in excess of \$5,000 are limited similarly to 20 percent or \$2,500, whichever is less. Labor also has a 20-percent limitation, although it is applicable to salaries in excess of \$6,000; however, the agency's written personnel procedures state that the limitation applies to starting salaries in excess of \$5,000, as required for OEO programs.

Our examination of the personnel files for the 40 employees showed that the files did not contain employment applications for 12 employees and did not evidence that any verification had been made of the prior salary of 12 employees--employment applications were not on file for some of these latter employees. Although we could determine whether annual salary increases had exceeded limitations, the absence of data on the employees' salaries prior to their employment precluded us from readily determining the extent to which the agency had complied with the starting-salary limitations. The personnel records and other information did indicate that:

- Six employees who were hired between July 1968 and August 1969 had starting salaries of over \$5,000, which exceeded their previous salaries by between 22 and 45 percent. In these cases, there was no evidence that approval of the starting salary had been sought from OEO.
- One employee had had an annual salary of \$18,500 from the time that he was hired, in March 1969. This salary was 54 percent above his prior annual salary of \$12,000. The agency's records showed that in April 1969 OEO had denied an agency request that \$15,000 of the salary be paid from OEO funds. Although the agency receives funds from non-Federal sources, as noted on page 24, no special provision had been made to show, or to ensure, that a portion of the salary was paid from nonproject funds.
- The certified public accountant, in his audit report for the year ended September 30, 1969, questioned personnel costs of \$536--the amount paid to a former employee during a 28-week period that was in excess of 20 percent of his previous salary.

We noted only one instance in which annual salary increases exceeded limitations. Without requesting Labor approval, the agency increased the salary of a Neighborhood Youth Corps staff member twice between March and October 1969 by a total of \$3,004, or about 30 percent of his prior annual salary.

The executive director informed us that he would (1) request OEO's and Labor's reconsideration or approval in all cases where salary limitations had not been complied with, (2) require completion of existing personnel files, and (3) in the future, require administrative reviews of employment applications to ensure that the agency complies with the salary-limitation requirements.

#### Leave records

Agency personnel policies provide for the accumulation of vacation and sick leave at the rate of 1-1/4 days for each full calendar month of employment for each category of

leave. The policies provide also that, when sick leave in excess of 3 consecutive days is taken, a physician's certificate be obtained.

From October 1, 1968, the official leave record of each full-time employee was required to be maintained in a leave register which shows the leave earned and taken and the outstanding balances. Although the register being maintained was current and fairly accurate, we did observe the following discrepancies.

1. In four instances differences existed between vacation leave taken according to time and attendance records and that recorded in the leave register.
2. In five cases, vacation and sick leave was credited in the leave register for a full month although the employees were hired after the start of the month or had terminated before the end of the month.
3. In six cases, employees who took sick leave in excess of 3 days did not submit the required physicians' certificates.

The executive director informed us that the controller's office would periodically review the employee leave records for compliance with agency personnel policies and that a physician's certificate or a reasonable explanation would be required from each employee for sick leave taken in excess of 3 days.

#### ENROLLEE ELIGIBILITY

The agency was not complying fully with Labor requirements in determining enrollee eligibility for the out-of-school component of the Neighborhood Youth Corps program. Labor eligibility requirements for the out-of-school programs provided, at the time of our review, that an enrollee must be 16 through 21 years of age; unemployed; out of school for at least 3 consecutive months of a normal school year, not planning to return to school, and in need of useful work experience; and a member of a family with an annual income below the poverty level.

Our review of the application records, which were generally filled out 2 or 3 weeks prior to enrollment and on which the determination of eligibility was based for the 24 enrollees in the program on February 11, 1970, showed:

- One enrollee, at the time of her interview, was 10 months below the minimum enrollment age.
- One enrollee had stated that he was employed; seven had not stated whether they were employed.
- Two enrollees had stated that they had been out of school for only 1 month; nine enrollees had not stated how long they had been out of school; 14 enrollees had stated that they planned to return to school.
- Six enrollees had not indicated their annual family incomes; three enrollees had indicated that their family incomes were above the poverty level.

We discussed our findings with the program counselor and the agency's executive director. The counselor told us that Labor eligibility requirements would be adhered to more closely in the future. The executive director stated that project employees would be instructed to review application forms of future enrollees for completeness in order to make proper determinations as to their eligibility.

## PROCUREMENT PRACTICES

The agency was not fully complying with OEO guidelines and its own procedures which state that purchases of goods and services should be initiated by purchase order or requisition and that receipt of goods and services should be adequately documented. Further, the agency was not following OEO guidelines which state that (1) prices available from the General Services Administration should be considered before making purchases from other sources and (2) competitive quotations should be obtained if customarily furnished by suppliers.

Agency expenditures through September 30, 1969, for purchase or rental of equipment, consumable supplies, and items included in the budget category of other costs amounted to about \$394,000. We selected for review 35 recent purchases which represented about \$6,900 of the above expenditures. Purchases amounting to about \$2,500, or 36 percent of those examined, were not fully documented-- purchases, ranging in cost from \$28 to \$542, were not supported by purchase orders in 10 instances and were not supported by receiving reports or other evidence of receipt in 12 instances.

The agency was not obtaining competitive quotations from potential suppliers. OEO guidelines suggest that such quotations be obtained for orders of \$100 or more; however the agency's procurement policies did not contain similar requirements. We noted that the agency had not obtained prices of supplies or other items available from General Services Administration supply sources as a basis for comparison with prices of similar items available from other suppliers, nor did its procurement policies require that such comparisons be made to determine where purchases could be made most economically.

The executive director informed us that in the future the agency would adhere to its existing purchasing policies and would solicit competitive quotations and consider the use of General Services Administration sources of supply when appropriate to do so.

## ADMINISTRATION OF DELEGATE AGENCY

OEO guidelines state that, where a grantee delegates the conduct of all or part of a program component to another agency, the grantee continues to have certain fiscal and program responsibilities for the delegated activity, including ensuring the proper accounting for funds.

The agency delegated the administration of its Upward Bound program to the Cherry Lawn School in Darien.

Our review of the accounting and other records maintained by the school revealed a number of instances in which the delegate agency's procedures or practices were not in full conformity with the pertinent OEO guidelines.<sup>1</sup> The more significant weaknesses noted were:

- Time and attendance records were not being maintained for the four salaried staff members and for four of the seven other project employees.
- A formal contract covering operation of the 1969-70 project had not been entered into between the agency and the school.

Other practices or procedures which appeared questionable in view of OEO guidelines but which, under the circumstances, did not appear to be significant deficiencies included:

- Pending receipt of the budgeted non-Federal contribution of \$12,388 for the 1969-70 project from the Connecticut Department of Community Affairs, Federal funds were being used to pay the non-Federal share of the costs.
- Monthly financial reports for the months July through December 1969 had been submitted from 19 to 36 days

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<sup>1</sup>Effective July 1, 1969, Federal administration of the Upward Bound program was transferred from OEO to HEW; however, the program was being administered under OEO guidelines at the time of field work, pending issuance of guidelines by HEW.

after the end of the month and then only after the accounts had been audited by a certified public accountant.

- A separate bank account had not been established for program funds.
- Monthly travel vouchers submitted in the period October through December 1969 for mileage claimed for the transportation of students amounted to about \$900. None of the mileage claimed was supported by odometer readings as required by the Standardized Government Travel Regulations.
- Certain of the lesser cost items--fringe benefits, consumable supplies, and travel--were recorded in other than the appropriate accounts.

In March 1970, we discussed these points with the business manager of the Cherry Lawn School who stated that there were only 4 months remaining in the program year; that uncertainty existed as to whether, in the following year, the program would continue at the school; but that he would make corrections where possible. We discussed these matters also with agency officials who stated that they would instruct the Cherry Lawn School to (1) establish a separate bank account for program funds, (2) adhere to the Standardized Government Travel Regulations, and (3) prepare time and attendance records for all employees.

## FINANCIAL REPORTING

The agency had experienced considerable delays in submitting monthly financial reports timely to OEO. This problem had been recognized by OEO during its March 1969 review, and in April 1969 OEO directed the agency to submit the then unfiled financial reports to the OEO regional office.

Although the agency's reporting to OEO continued to lag during calendar year 1969, the 1970 monthly reports, through July 1970, were submitted timely.

Of the 12 monthly reports submitted to Labor covering calendar year 1969 operations, three did not show the date they were filed and thus we could not determine whether the reports had been submitted on time; seven had been submitted on time; and two had been filed 38 and 8 days late, respectively.

The agency executive director told us that he would endeavor to maintain currency in filing the required financial reports to OEO and Labor.

## TRAVEL

Travel costs for the period January 25, 1965, through September 30, 1969, amounted to about \$39,000, of which about \$30,000 was charged to the OEO programs and about \$9,000 to the Neighborhood Youth Corps programs. Guidelines issued by OEO require that travel by employees of grantees and their delegate agencies be authorized and paid for in accordance with the Standardized Government Travel Regulations. Labor requires that adequate information be maintained to support travel expenses claimed.

We examined documentation supporting 43 travel claims, amounting to about \$1,700, paid during calendar year 1969. Of these claims, about \$1,250 was charged to the OEO programs during the period June through December 1969 and about \$450 represented staff travel costs charged to the Neighborhood Youth Corps program accounts from January through September 1969, most of which were paid in July,

August, and September. All but five of the 43 claims concerned travel in or around Stamford.

Eighteen claims did not show points of travel and odometer readings in support of mileage costs claimed for use of privately owned automobiles. None of the five claims for out-of-town travel showed the departure and arrival times (which affect the per diem computation) and three did not indicate that the travel had been authorized in advance. In addition, we noted several mathematical inaccuracies in computing the amount of the travel claims.

OEO guidelines also state that travel advances should be accounted for within 5 days after travel is completed. This requirement is supplemented by the agency's written policies which provide that an employee, immediately upon his return to headquarters, must forward his travel expense statement to the controller. Four travel advances, totaling about \$344, had been outstanding from 1 to over 9 months at December 31, 1969. Subsequently, vouchers were submitted accounting for two of the advances totaling about \$169. Other travel advances had been recorded as expenses, rather than as receivables, when advanced. Such advances, totaling \$811, were made in October 1969 to five agency employees who attended a conference in Washington, D.C. In January 1970, only one of the employees had accounted for the advance.

We brought this matter to the attention of the agency controller who subsequently furnished us with a summary, approved by the executive director, of the travel expenses incurred by the four employees who had not accounted for the advances. This summary was intended to account for the advances, but the only documentation provided were individual estimates from three of the four staff members. The estimates contained no odometer readings for the one employee who had used a privately owned automobile, nor any departure or arrival times or dates in support of the per diem allowances of the four employees. The summary showed expenses for hotel accommodations and also per diem allowances calculated at \$16 a day for each individual. The Standardized Government Travel Regulations and the agency's written travel policies provide that per diem allowances, in lieu of subsistence expenses, include all charges for lodging.

We brought these matters to the attention of the executive director, who stated that, in the future, the controller's department would be required to review all travel claims for accuracy and adherence to applicable requirements.

#### ACCOUNTABILITY FOR NONEXPENDABLE PROPERTY

The agency was not fully complying with OEO guidelines which state that the agency should maintain records of all nonexpendable property and take periodic inventories of such property.

An agency official informed us that the agency had taken its only physical inventory of property in March 1969. A listing of that inventory showed that the agency had property valued at \$49,000. We noted, however, that items valued at as low as 5 cents had been included on the listing. As of March 1970, property record cards had been prepared for certain items of property valued at about \$9,000. Cards had not been prepared, however, for all items of nonexpendable property, as evidenced by the total value shown on the property listing.

Examples of items for which there were no property record cards are two air conditioning units, a duplicating machine, and a refrigerator, all located in the agency's central office.

The executive director informed us that a new, complete inventory of the agency's property would be taken, the low-valued items would be eliminated from the inventory listing and property record cards, the cards would be updated, and property would be tagged with identification numbers.

## EMPLOYEES' ADVANCES

Although OEO guidelines do not prohibit loans to employees, the guidelines stipulate that emergency loans or salary advances to employees should occur rarely and should be avoided as a matter of policy.

The agency's records showed that at September 30, 1969, loans totaling \$1,357 were outstanding to 10 persons, nine of whom were employees or former employees. The files contained promissory notes signed by nine of the 10 persons. These loans originally totaled \$1,665. The first loan was made in January 1969. At February 28, 1970, the loans had been reduced to \$986.

The available information on the individual loans indicated that they had been made under emergency conditions. One outstanding loan in the amount of \$200, however, had been made to a person who had never been employed by the agency. Also, a balance of \$262 was owed on a loan by a person whose employment had been terminated.

At the time of our review, a promissory note form had been developed that authorized deductions from the employee's pay in event he became delinquent in his payments or terminated his employment. The executive director informed us that he would personally seek collection of the \$200 loan from the person who was not an employee and would attempt to recover the amount owing on the loan from the terminated employee. The executive director also told us that he had designed a new loan request form and that each request would be reviewed by him and by the finance committee to ensure adherence to OEO guidelines.

## NON-FEDERAL CONTRIBUTIONS

Prior to June 30, 1967, OEO required grantees to provide at least 10 percent of total project costs either in cash or in in-kind contributions; subsequent to that date the grantee's required contribution was increased to 20 percent. The non-Federal contributions are required to be recorded in the grantee's financial records in such a manner that they are readily identifiable for purposes of determining compliance with OEO requirements.

For the period January 22, 1965, through September 30, 1969, the agency's expenditures for OEO programs, as reported in its financial statements, amounted to about \$1,632,000, of which about \$317,000 was classified as the non-Federal share. (See app. I.) The financial statements for the year ended September 30, 1969, showed total expenditures for grant 0463 (including all components except summer Head Start and Upward Bound programs) of about \$254,000, of which about \$36,000 was represented by in-kind contributions and about \$17,000 by non-Federal funds.

Although the general ledger for the year ended September 30, 1969, showed that the agency had expended cash contributions of about \$17,000 received from the State of Connecticut, Department of Community Affairs, the ledger did not show any entries for the in-kind contributions of \$36,000.

The agency's controller informed us that he had no records supporting the in-kind contributions. Although we were unable to ascertain the basis for the amounts claimed, we did satisfy ourselves that the Stamford Board of Education was contributing the services of volunteer workers, rental space, and other items of value, particularly for the full-year day-care component.

For the program year which began October 1, 1969, the agency controller had established a new general ledger, books of original entry, and other accounting records for OEO program activities. Our examination of the general ledger and tests of supporting documentation for the period October 1, 1969, through February 28, 1970, showed that non-Federal contributions were adequately documented.

Labor guidelines specify that generally Government reimbursement of Neighborhood Youth Corps program costs not exceed 90 percent of total allowable program costs and require that sponsor's in-kind contributions be supported in a manner similar to that for Federal costs.

The agency's financial statements showed that expenditures for the Neighborhood Youth Corps program for the period July 8, 1965, to September 30, 1969, totaled about \$793,000,

of which about \$101,000 was identified as non-Federal contributions. (See app. II.) With respect to the agreement (RI-8007-07) for the combined in-school/out-of-school, summer program, effective August 14, 1967, the financial statements showed cumulative expenditures through September 30, 1969, of about \$445,000, of which about \$51,000 had been reported as the non-Federal share.

As in the case of the OEO grant, no record had been made in the general ledger of the non-Federal share of costs incurred. The Neighborhood Youth Corps program director informed us that the amounts reported as the non-Federal share on the financial reports to Labor were estimates established on what he believed to be the costs involved.

With respect to the program year which began October 1, 1969, the Neighborhood Youth Corps program director informed us that he had requested monthly in-kind contributions reports from participating agencies but that many of the reports which he had received were not adequately documented or were incomplete. The agency's executive director told us that he would instruct the Neighborhood Youth Corps program director to obtain adequate documentation of in-kind contributions from participating agencies and that the controller would use the documentation as a basis for recording the necessary entries in the general ledger. Our subsequent inquiry revealed that entries recording in-kind contributions had not been made at June 30, 1970.

#### PAYROLL TAXES PAYABLE

The agency's balance sheet at September 30, 1969, showed a liability to the Internal Revenue Service for employer and employee payroll taxes of \$74,425, as follows:

Quarter ended September 30, 1968	\$40,869	
Quarter ended December 31, 1968	<u>18,466</u>	\$59,335
Quarter ended September 30, 1969		<u>15,090</u>
		<u>\$74,425</u>

Tax liability of \$15,090 for the quarter ended September 30, 1969, was not paid until February 26, 1970. The agency's accounting records showed that as of June 30, 1970, it had reduced its tax liability of \$59,335 for the 1968 periods to \$23,004. In May 1970 the agency was planning to make two installment payments to the Internal Revenue Service of \$11,502 each by June 30 and September 30, 1970, for the balance due. The agency's controller informed us in July 1970, however, that the payment of \$11,502 scheduled to be made in June 1970 had not been made. He said that funds anticipated to be received early in August from the Connecticut Department of Community Affairs would be used for this purpose.

The poor accounting and fund control practices existing in the past, as discussed in chapter 2, apparently contributed to the agency's failure to fully pay its tax liability for calendar year 1968. The late payment of the amount due for the quarter ended September 30, 1969, was apparently caused by using available funds, prior to receipt of grant funds, to finance current operations. Payroll taxes for periods after September 30, 1969, were being paid when due.

## CHAPTER 4

### CONCLUSIONS AND RECOMMENDATION TO THE SECRETARIES OF LABOR AND HEW AND THE DIRECTOR, OEO

As noted in chapter 2, numerous weaknesses in the agency's financial administration from January 1965 through September 1969 were brought to the attention of OEO and Labor by means of audit reports by the agency's certified public accountant and of OEO reviews. Our review, which was concerned primarily with the agency's financial transactions subsequent to September 1969, showed that there continued to be a need for improvement in the agency's control over and administration of Federal grant funds. To a large degree the needed improvements have been slow in being implemented, because of the frequent changes in the agency's key employees. With fewer changes in key employees, it is more likely that the necessary improvements will be fully implemented.

Correction of certain of the agency's weaknesses, particularly those involving payroll and the agency's surveillance over its delegated activities, should be of concern to HEW which now provides financial assistance for the Head Start and Upward Bound programs.

The agency's officials were receptive to our suggestions and, in most cases, initiated or promised to initiate corrective action on the matters that we brought to their attention.

#### Recommendation

We recommend that the Secretaries of Labor and HEW and the Director, OEO, provide for the monitoring of the implementation of the agency's corrective actions and for such other action as may be necessary to ensure that the agency adequately corrects the weaknesses in its financial and program administration discussed in this report.



**APPENDIXES**



APPENDIX I

SUMMARY OF OEO GRANTS RECEIVED

AND FUNDS EXPENDED

COMMITTEE ON TRAINING AND EMPLOYMENT, INC.

STAMFORD, CONNECTICUT

	Program period				Total
	Jan. 65 through Sept. 66	Oct. 66 through Sept. 67	Oct. 67 through Sept. 68	Oct. 68 through Sept. 69	
<b>GRANTS RECEIVED:</b>					
Program component:					
Head Start	\$153,495	\$113,826	\$116,910	\$106,127	\$ 490,358
Program administration	55,226	73,047	75,813	85,726	289,812
Neighborhood services	-	18,678	27,807	37,465	83,950
Upward Bound	91,979	26,917	106,770	99,101	324,767
Remedial and tutorial	31,777	29,673	-	-	61,450
Program development	26,969	-	-	-	26,969
Various (Medicare Alert, summer programs, etc.)	66,330	24,995	23,000	23,001	137,326
Total grants re- ceived	<u>\$425,776</u>	<u>\$287,136</u>	<u>\$350,300</u>	<u>\$351,420</u>	<u>\$1,414,632</u>
<b>FUNDS EXPENDED:</b>					
Cost category:					
Personnel	\$302,635	\$247,179	\$277,225	\$295,623	\$1,122,662
Consultant and contract services	22,389	12,371	24,857	9,726	69,343
Travel	4,403	5,337	11,238	8,808	29,786
Space costs and rentals	54,464	24,825	25,337	18,652	123,278
Consumable supplies	19,342	11,590	12,438	12,064	55,434
Rental, lease, or pur- chase of equipment	15,214	4,809	7,431	1,129	28,583
Other costs	18,568	38,498	66,396	79,325	202,787
	437,015	344,609	424,922	425,327	1,631,873
Less non-Federal contribu- tions	<u>57,152</u>	<u>61,007</u>	<u>103,155</u>	<u>96,171</u>	<u>317,485</u>
Total Federal ex- penditures	<u>\$379,863</u>	<u>\$283,602</u>	<u>\$321,767</u>	<u>\$329,156</u>	<u>\$1,314,388</u>

APPENDIX II

SUMMARY OF DEPARTMENT OF LABOR  
 FUNDS RECEIVED AND EXPENDED UNDER  
 NEIGHBORHOOD YOUTH CORPS AGREEMENTS  
 COMMITTEE ON TRAINING AND EMPLOYMENT, INC.  
 STAMFORD, CONNECTICUT

	Program component and agreement					Total
	Summer July 65 through Sept. 65 <u>SI-6048-07</u>	Summer July 66 through Sept. 66 <u>TI-6502-7</u>	Out of school Sept. 66 through Aug. 67 <u>RI-7019-07</u>	In school and summer Sept. 66 through Sept. 67 <u>RI-7161-07</u>	Combined in/out of school summer Aug. 67 through Sept. 69 <u>RI-8007-07</u>	
FUNDS RECEIVED	<u>\$60,947</u>	<u>\$50,141</u>	<u>\$ 97,460</u>	<u>\$111,430</u>	<u>\$398,490</u>	<u>\$718,468</u>
FUNDS EXPENDED:						
Cost category:						
Personnel	\$52,348	\$51,361	\$ -	\$ -	\$435,421	\$539,130
Travel	3,249	3,796	-	-	2,442	9,487
Operational costs	3,900	450	4,648	1,032	7,410	17,440
Enrollee costs	-	-	67,844	91,563	-	159,407
Staff costs	-	-	36,225	30,936	-	67,161
	59,497	55,607	108,717	123,531	445,273	792,625
Less non-Federal contribution	<u>7,030</u>	<u>7,799</u>	<u>17,384</u>	<u>17,980</u>	<u>51,080</u>	<u>101,273</u>
Total Federal expenditures	<u>\$52,467</u>	<u>\$47,808</u>	<u>\$ 91,333</u>	<u>\$105,551</u>	<u>\$394,193</u>	<u>\$691,352</u>

## SUMMARY OF DEPARTMENT OF LABOR FUNDS

## RECEIVED AND EXPENDED UNDER

## MANPOWER DEVELOPMENT AND TRAINING ACT AGREEMENTS

## COMMITTEE ON TRAINING AND EMPLOYMENT, INC.

## STAMFORD, CONNECTICUT

	<u>Agreement and period</u>			
	<u>CN-J-185</u>	<u>07-7-3048</u>	<u>07-7-3048</u>	
	<u>Mar. 66</u>	<u>Oct. 66</u>	<u>Oct. 67</u>	
	<u>through</u>	<u>through</u>	<u>through</u>	
	<u>Sept. 66</u>	<u>Sept. 67</u>	<u>Dec. 67</u>	<u>Total</u>
FUNDS RECEIVED	<u>\$14,065</u>	<u>\$60,804</u>	<u>(a)</u>	<u>\$74,869</u>
FUNDS EXPENDED:				
Cost category:				
Personnel	\$ 5,635	\$15,249	\$4,563	\$25,447
Operating expenses	1,346	691	436	2,473
Subcontracting	<u>-</u>	<u>46,576</u>	<u>-2,235</u>	<u>44,341</u>
Total	<u>\$ 6,981</u>	<u>\$62,516</u>	<u>\$2,764</u>	<u>\$72,261</u>

<sup>a</sup>Unexpended funds from prior periods were made available for expenditure during this period.

Note: Non-Federal contributions were not required.

APPENDIX IV

SUMMARY OF DEPARTMENT OF LABOR FUNDS RECEIVED AND  
 EXPENDED UNDER SUBCONTRACT FROM JOBS, INC.  
 COMMITTEE ON TRAINING AND EMPLOYMENT, INC.  
 STAMFORD, CONNECTICUT

	<u>Period</u> Mar. 68 through Sept. 68	<u>Period</u> Oct. 68 through Sept. 69	<u>Total</u>
FUNDS RECEIVED	<u>\$129,269</u>	<u>\$477,561</u>	<u>\$606,830</u>
FUNDS EXPENDED:			
Cost category:			
Personnel	\$ 69,658	\$189,164	\$258,822
Space costs and rentals	6,175	-	6,175
Other costs	8,355	98,448	106,803
Slots (note a)	<u>25,503</u>	<u>133,896</u>	<u>159,399</u>
Total	<u>\$109,691</u>	<u>\$421,508</u>	<u>\$531,199</u>

<sup>a</sup> Expense necessary to train and permanently place trainees on a firm's payroll as an accepted and fully productive worker.